Consultant Contracts Management Process Audit

Prepared for:
Santa Clara Valley Water District

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Executive Summary

Navigant Consulting (Navigant) has completed a Consultant Contracts Post-Award Management Process Audit (Audit) of the Santa Clara Valley Water District (the District). To complete this Audit, Navigant conducted a detailed compliance review of 66 consultant contracts, and reviewed the current policy, process, and technology framework within which consultant contracts are managed (post-award).

Results of the Audit reflect a weakness in the District's post-award contract management processes: the majority of post-award contract management activities (including contract data and documentation record-keeping) are conducted in a decentralized and inconsistent manner across multiple individuals, teams, departments and systems. This, combined with a lack of clear accountability for post-award contract management tasks, is the principal cause of the non-compliance events identified in 2014.

The most significant Audit finding is related to the on-going management of insurance certificates in CAS. According to work instruction document W-741-029, all insurance certificates are to be uploaded to CAS. We acknowledge this is a pre-award work instruction; however, Navigant did not find a work instruction addressing post-award insurance certificate management. To our knowledge, no document exists that addresses insurance management in the post-award environment. The audit identified expired insurance certificates in CAS, as well as missing insurance certificates for certain contracts. Although the District worked diligently to locate the missing certificates, Navigant was unable to confirm the presence of complete insurance documentation, and therefore was unable to deem most of the 66 contracts reviewed compliant. Further, accountability for maintaining insurance certifications was unclear among District staff. These factors created a challenging environment in which to complete the audit.

Navigant also identified several additional issues related to post-award contract management in areas such as invoice management (certain invoices were submitted and approved past the agreement expiration date) and general contract management (several contracts were missing from CAS altogether). This highlights a lack of governance and diligence in post-award contract management, particularly in record keeping.

In addition to the contract audit, the Navigant team conducted a gap assessment, evaluating the District's current operations in relation to a "blueprint" for post-award contract management excellence. Key findings of the gap assessment include:

- The District does not have a single-source, comprehensive business policy document that establishes clear accountability and expectations for post-award contract management.
- There are not a standard set of business process flows that represent the standard for post-award contract management activities at a detailed level.
- Post-award consultant contract management activities are determined on an individual basis, resulting in a lack of consistency and standardization across the District.
- Critical aspects of post-award contract management, such as continuous monitoring of contract compliance and the maintenance and archiving of contract documentation, are not identified in existing policies or guidelines.
- Given the roles and responsibilities defined by best practice for contracting departments, the Consultant Contracts Group appears to have an incomplete mandate and be understaffed for an organization as large as the District.

- There is a significant lack of integration between the District's two major systems: CAS and PeopleSoft. This results in the dispersal of data across multiple departments and teams.

Results of the contract compliance audit and gap assessment confirm that the District's post-award contract management processes are deficient, and undermined by unclear accountabilities and underutilized technology applications. Significant attention needs to be made in "People, Process, Technology, and Governance" areas to improve current post-award consultant contracting activities.

1. Introduction and Approach

The District manages an integrated water resources system that includes 10 dams and surface water reservoirs, three water treatment plants, an advanced recycled water purification center, a water quality laboratory, nearly 400 acres of groundwater recharge ponds, and more than 275 miles of streams. The Mission of the District is to:

> "*…provide Silicon Valley safe, clean water for a healthy life, environment, and economy*."

The District's highest-level priorities are encompassed in three Board of Director (Board) policies:

- Clean, Reliable Water: There is reliable, clean water supply for current and future generations.
- Natural Flood Protection: There is a healthy and safe environment for residents, business and visitors, as well as for future generations.
- Healthy Creeks and Ecosystems: There is water resources stewardship to protect and enhance watersheds and natural resources and to improve the quality of life in Santa Clara County.

The effective and efficient procurement of materials and professional services (within a strong control environment) is a key enabler of achieving these priorities. Excellence in procurement and contract management is particularly critical, given the District's dual objectives of maintaining the network and infrastructure necessary to transport, treat and deliver clean, reliable water on behalf of Santa Clara County's 1.8 million residents, and also reduce headcount, operating costs and provide precise budgeting, while improving efficiency, effectiveness and optimization of services throughout the district.

1.1 Introduction

The following section describes the background and objectives of the Audit, as well as the approach taken to complete the Audit.

1.1.1 Background on the Audit

In the District's CEO Bulletin dated the week of June 13-19, 2014, notification of non-compliance with several procurement and contracting related policies was provided to the Board. Specifically, the District was found to be in non-compliance with certain Board policies and in violation with audit standards as a result of the following:

- Invoices were paid without an authorized agreement or insurance certificate.
- Non-compliance was not reported in a "timely" manner (within five (5) business days from the issue arising).
- Work was authorized for Optional Services without a Board authorized contract in effect.

As a result of this event (and in order to ensure that all contracts are being properly managed), the District authorized a variety of measures, including principally:

1. Conduct an immediate review of all consulting contracts to ensure that agreements are within budget and that both agreements and insurance certifications are current.
2. Review all consulting contracts to ensure that work being conducted is within the scope of services as specified in the contract.

3. Lead an audit of the post-award contract management process to identify and make recommendations to correct systemic issues.

Navigant was awarded the contract to undertake the Audit, after responding to an RFP issued by the District on July 8, 2014. For this Audit, Navigant conducted a review and assessment of the extent to which the District's consultant contracts and agreements, post-award, are managed in accordance with:

1. District policies and procedures,
2. Statutory and other requirements,
3. Agreed scope and deliverables, and
4. Best practices regarding change management, and contract management administration (including documentation, invoicing, financial, and other controls).

1.1.2 Objectives of the Audit

The objective of the Audit is to:

1. Evaluate and provide evidence of compliance or non-compliance for a subset of contracts for the period 2009 through 2014, and
2. Assess the District's post-award process for authorizing, approving, and managing consulting services contracts.

Although focused primarily on the post-award consulting contracting process, Navigant gained insight into the entire "end-to-end" contract management process and has included in this report recommendations for improvement focused on some pre-award activities.

Through this audit, the District aims to understand the extent to which compliance issues have been present during the review period (2009-2014), and identify potential areas of improvement to the "as-is" post-award contract management framework (including relevant policies, processes, and protocols).

1.2 Approach to the Audit

The District outlined seven primary task areas associated with the audit comprised of the following:

- Task 1: Review and Identify Contracts to be Reviewed
- Task 2: Review and Identify Applicable Post-Award Contract Management Controls
- Task 3: Entrance Conference / Review of Audit Purpose, Scope and Timing
- Task 4: Develop and Present the Audit Work Plan
- Task 5: Conduct Audit
- Task 6: Draft Audit Report and Presentation
- Task 7: Final Audit Report and Presentation

To complete the scope of work associated with these task areas, Navigant designated two primary components: the post-award consultant contract compliance audit, and the "blueprint" assessment and gap assessment. The post-award consultant contracts compliance audit focused on audit fieldwork activities and a detailed review of the contracts in question, evaluating the "as-is" state of operations. In addition to the audit fieldwork, Navigant specified a "blueprint" for excellence in consulting services contract management, based on which the District was evaluated and then provided with recommendations for improvement in the gap assessment.

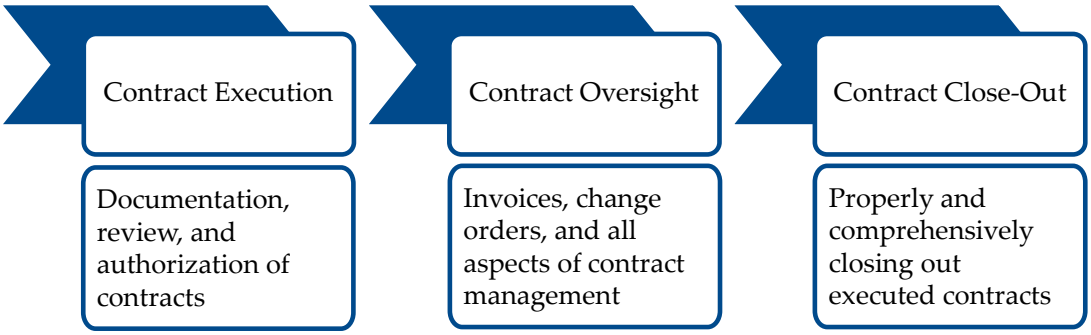
1.2.1 Consultant Contracts Post-Award Compliance Audit

Navigant was tasked to perform a direct compliance review of 15 consultant contracts pre-identified by the District as needing further review, and to derive and review a sample from a database of consultant contracts and service agreements that would provide a 90% or higher confidence rate on compliance testing results.

The scope included the 15 pre-identified consultant contracts executed between 2001 and 2014 and a larger sample of contracts executed between 2009 and 2014 randomly selected by Navigant.

At the highest level, focus areas associated with the tasks in the consultant contracts compliance audit included the following:

Figure 1. Approach to Compliance Audit



As noted, while the focus of the Audit was post-award contract management processes and activities, Navigant did gain insight into pre-award processes and activities (a high-level review of which is included in Section 4.3.2).

1.2.2 "Blueprint" Assessment and Gap Assessment

Navigant believes an important objective of any audit or assessment is to evaluate the current, "as-is" state of operations in a comprehensive manner in order to identify specific actions that will deliver operational and organizational improvement.

Therefore, in addition to the audit fieldwork and detailed review of the contracts in question, Navigant evaluated the District's activities, business processes and roles & responsibilities against a "blueprint" for excellence in consulting services contract management. Specification of a blueprint for consultant contract management excellence provided a frame of reference – or template – against which current post-award activities and practices can be compared, and potential improvements identified.

This blueprint was derived from a variety of sources, including:

- Best practice recommendations from a variety of organizations directly relevant to contract and procurement management,
- The practices of peer water and other utility companies,
- Leading business management standards in areas such as process management & optimization, business policy design, technology management, and governance & risk control.

Importantly, Navigant also considered the District's specific Mission and objectives, regulatory/governance requirements, and culture surrounding contract management when conducting the blueprint assessment.

2. Contract Management Mission and Roles & Responsibilities

As described in Section 1, the Mission of the District is to:

> *"…provide Silicon Valley safe, clean water for a healthy life, environment, and economy."*

Further, the Vision of the District is to be:

> *"…nationally recognized as a leading water resources management agency."*

Related to the District's broad organizational Mission and Vision objectives are specific contracting and procurement related objectives.

Figure 2. District Procurement and Contracting Objectives

District Procurement Objectives	Consulting Contracts Objectives
The mission of the District is to manage the procurement of goods and services with the highest level of integrity, ethics, and accountability. The District will solicit information and award contracts through a fair, open, transparent, and competitive process. The District has a strong policy of promoting Small Business Enterprises through preference credits.	*The Consultant Contracts Program provides centralized consulting contracts processing services on behalf of all District operating units. The information presented here[1] is designed to help you understand how the District conducts business with consultants, including, but not limited to, those providing engineering, environmental, architectural, financial, auditing, management consulting, and other professional and non-professional services.*

In any organization, procurement and contract management activities are comprised of multiple activities, business processes, and related roles & responsibilities. A number of different organizational structures can be created to deliver these activities, given goals of ensuring high levels of efficiency, effectiveness, and control.

The exhibit below outlines the responsibilities of the different groups at the District for the overall contracting process.

[1] The Consultant Contracts webpage at: www.valleywater.org/Business/DoingBusiness/ConsultantContracts.aspx.

Table 1. Contracting Roles and Responsibilities

	Activities	Contracts Group	Project Manager	Legal Department	Accounting	Risk Manager	Unit Manager	Board/CEO
Pre-Award	Identify of project need		✓				✓	✓
	Develop of Scope of Work		✓					
	Assess internal capabilities and capacity to complete the project		✓					
	Develop RFP/RFI/RFQ	✓	✓					
	Create RFP/RFI/RFQ in CAS	✓						
	Select consultant		✓					
	Negotiate		✓					
	Develop Standard Consultant Agreement	✓	✓	✓		✓		
	Confirm available funding and project account				✓			
	Confirm vendor tax information and W-9				✓			
	Approve contract	✓		✓			✓	✓
Post-Award	Assess work completed against original Scope of Work		✓					
	Maintain payment history and track total cost				✓			
	Develop amendments	✓	✓	✓				
	Approve amendments	✓		✓	✓		✓	✓
	Conduct compliance check							
	Close out contract	✓	✓		✓			

This functional structure is a consideration in our blueprint assessment and recommendation analysis.

3. Consultant Contracts Post-Award Compliance Audit

The principal objective of the Audit was to assess the District's post-award process of authorizing, approving, and managing consulting services contracts. Central to this effort was a detailed compliance review of 15 contracts identified by the District and 51 additional randomly selected contracts, for a total of 66 consultant contracts. The methodology for this audit fieldwork and Navigant's findings are presented in the following sections.

Based on the compliance review, Navigant identified non-compliance issues in the majority of the 66 contracts. Most of the issues identified related to incomplete or expired insurance documentation in CAS. Additionally, six of the 66 contracts were found to have work completed and invoices submitted past the Agreement expiration date, and one contract represented significantly more than 100% task completions. One of these has been previously addressed by a CEO Bulletin and presented to the Board (Agreement A2303A).

Navigant believes that the evidence obtained from the audit fieldwork, described in detail below, provides a reasonable basis for the audit findings at this time; however, it is important to add that the review was conducted with only readily available information. Navigant worked with the District to collect additional documentation, primarily from project managers. This effort met with some success in obtaining valid documents. This is noted, but the original findings remain unchanged to reflect what was readily available to an outside party, and what was not.

3.1 Scope and Approach

To accomplish the audit fieldwork objectives, Navigant performed the following procedures:

- Obtained and reviewed a database of consultant contracts provided by the District,
- Provided to the District a sampling methodology and the resulting list of 52 contracts for the compliance review (reduced to 51 at a later time),
- Obtained and reviewed relevant consultant contract policies and procedures,
- Interviewed key District personnel, and
- Reviewed a total of 66 consultant contracts for compliance (15 contracts selected by the District and 51 contracts identified using sampling methodology), using currently available data sources.

Audit fieldwork was primarily conducted from November 6, 2014 through January 27, 2015. The work completed in 2015 was focused on the collection of additional insurance documents from project managers and the assessment of accounting-related issues.

The District identified 15 potentially non-compliant consultant contracts to be reviewed by the Navigant team during the audit. In addition to these, Navigant selected a sample of 51 consultant contracts for a total of 66 contracts. The 51 contracts were selected randomly from a consultant contracts database provided by the District, containing 180 contracts executed between Fiscal Year 2009 and 2014. The random sampling methodology used to identify the 51 contracts is further described in Section 3.1.1

Before reviewing the 66 consultant contracts, the Navigant team gathered information on the District's contract management protocol and day-to-day consultant contracting activity, and conducted focused interviews with key District personnel. Relevant documents and interviews are summarized in Section 3.1.2

In order to evaluate the 66 contracts, the Navigant team developed a consultant contract post-award compliance checklist, the parameters of which were derived from the scope of work agreed upon for this audit. The Navigant team used this checklist to record available contract information from the CAS and consultant contract invoice and payment files and tax information from the Accounting Department. The approach is described in detail in Section 3.1.3

3.1.1 Task 1: Identify Contracts to Be Reviewed

The District provided Navigant with a sampling consultant contracts database that included contracts executed between Fiscal Year 2009 and 2014. The 15 consultant contracts pre-identified by the District and consultant contract amendments were excluded. In total, 180 contracts were included in the sampling database. The District requested a 90% confidence level target for the sample selected from this database.

The 180 contracts in the sampling database were randomly ordered and run with the RATSTAT sampling model.[1] RATSTAT is a free statistical tool developed by the U.S. Government used to determine sample sizes. The tool takes the total population of the records to be sampled, the desired confidence level, and confidence interval and determines the minimum number of observations to be sampled. Using RATSTAT, Navigant developed 12 scenarios reflecting multiple combinations of confidence levels and confidence intervals, to determine with the District which combination of confidence level and confidence interval would provide the best compromise between sample accuracy and number of contracts to be reviewed.

Given the District's 90% confidence level target and the reasonable sample accuracy provided by a 10% confidence interval, Navigant recommended the review of 52 consultant contracts in addition to the 15 contracts pre-identified by the district. The scenarios developed by Navigant are shown in Table 2, below.

Table 2. Sampling Scenarios

		Confidence Level			
Confidence Interval		80%	90%	95%	99%
	+-2.5%	143	155	161	180
	+-5%	94	114	126	144
	+-10%	38	52	64	85

The sample of 52 contracts represents almost 30% of the total contract population provided by the District, and 23.6% of the total dollar value (Table 3).

Table 3. Final Contract Sample

# of Contracts	Contract Value	% of Contracts	Sample Value	% of Total Dollar Value
52	$ 6,017,027	28.9%	$ 25,335,374	23.6%

[1] http://oig.hhs.gov/compliance/rat-stats/index.asp

Following the District project manager's approval of the sample size, Navigant provided the list of 52 contracts for review. The District identified three of the 52 contracts as non-consultant contracts (reflecting an error in the original sampling database), and the next three randomly ordered contracts were moved into the sample. Towards the end of the Audit, contract A3623 was also identified as a non-consultant contract. This contract was removed from the results for a total of 51 randomly selected consultant contracts. The final contract sample is listed in Appendix C.

3.1.2 Task 2: Review and Identify Applicable Post-Award Contract Management Protocols

Navigant's review of the District's post-award contract management control documentation focused on the extent to which it provides clear procedures and processes to ensure that a project is in compliance with District policy and the authorized agreement, and that it is administered appropriately. Before beginning the detailed review of the 66 contracts, Navigant initiated the collection of contract policy, procedure, and process documentation by submitting a data request. The list of documents provided by the District is included in Appendix B.

To seek clarification on this documentation and to clearly understand current post-award contract management practices, Navigant conducted several rounds of focused interviews. Interviews were conducted with a cross-section of management, staff, project managers, and other key individuals associated with contract management. Initial interviews included the District's executive management and representatives from the accounting department and the contracts department. All interviews are listed in Appendix A.

3.1.3 Task 3: Conduct Audit

The audit fieldwork initially included a review of contract documentation uploaded on CAS and recorded by the Accounting Department in hardcopy paper files.

The District uses CAS as a contract management tool primarily for the development of solicitations through contract execution; however, CAS also includes relevant descriptions and documentation of executed contract terms, scope, and required insurance, as well as amendments (change orders). Contract information on CAS is managed by the District's Consultant Contract Services group in the Purchasing, Consultant Contracts, and Warehouse Services Unit. Navigant was provided access to CAS and received support from the Contracts group to learn how to navigate the online system.

Invoice and payment information is housed in the General Accounting Unit, which uses PeopleSoft and hardcopy file folders to manage documents. As identified in interviews, the most accessible source of invoice and payment information is the spreadsheet maintained by the accountant responsible for consultant contracts. Accounting files requested by the Navigant team based on the sample of 51 contracts were provided for in-person review at the District accounting offices. Throughout the review, Navigant worked closely with the District to locate relevant information and ensure findings were accurate. However, Navigant did not have direct access to the PeopleSoft database.

Each contract was assessed using the parameters outlined in Table 4, below. These parameters were derived from the scope of work agreed upon for this audit. The checklist was reviewed with the Contracts group to locate where most of the items would be found.

Table 4. Consultant Contract Audit Checklist

Parameter	Evidence
Operating within the contract scope of work services	• Description of original scope • Tasks and deliverables completed
Adhering to the contract schedule	• Date agreement executed/signed as reported in CAS • Date agreement expired as reported in CAS • Date agreement expired as reported in Standard Consultant Agreement • Accounting close-out date as reported in project files
Monitoring to ensure conformance with authorized agreement and amendment amounts	• Agreement value at execution as reported in CAS • Agreement value as reported in Standard Consultant Agreement • Number of amendments reported in CAS • Total dollar value of amendments reported in CAS • Final agreement value as reported in CAS
Invoices are reviewed, revised as necessary, and approved before payment, and payments are approved and made on valid agreements	• Number of amendments as reported in project files • Number of invoice(s) related to this agreement as reported in project files • Total dollar value of invoices as reported in project files • Last invoice end date as reported in project files • Date of last invoice approval as reported in project files • Date of final payment as reported in project files
Compliance with terms and conditions of the agreement including licensure requirements, permit requirements	• Date Standard Consultant Agreement executed (actual document) • Date Agreement Routing Approval executed • Date W-9 executed
Reviewing documentation to ensure non-fiscal requirements continue to be met throughout the duration of the contract and beyond	• List of insurance documents available in CAS • Start date of insurance requirement • Expiration date of insurance requirement

Based on preliminary results from the CAS and accounting file review, Navigant determined it was necessary to interview a selection of project managers and the District's Risk Manager. Four project managers in addition to the Risk Manager were interviewed. These interviews provided insight into the location and ownership of certain information that was often not complete in CAS or not under the accounting domain (e.g. insurance documentation residing with project managers).

The Navigant team worked closely with the District to contact the project manager for each of the 51 sample consultant contracts in order to support and/or improve findings from CAS and the accounting files. Additionally, Navigant determined it was necessary to request some consultant W-9 forms that were missing from or unsigned on CAS, and worked with Accounts Payable to locate this information.

3.2 *Summary of Findings*

From the detailed compliance review of 15 consultant contracts identified by the District and 51 additional randomly selecting consultant contracts, Navigant gathered a set of key findings. Of note, only five of the 66 contracts reviewed were found to be fully compliant from initial work. The vast majority of the non-compliance issues identified were incomplete or expired insurance documentation. It is important to add that this finding is based only on information in CAS, the accounting files, and feedback from Accounts Payable. Following up on this finding, Navigant requested insurance documentation from the project managers, resulting in 30 responses and ten other contracts that could be found compliant based on this additional information. These are summarized in Appendix D.

Initially, 11 of the 66 contracts were found to have missing or unsigned W-9 forms for tax requirements on CAS. However, this finding was revised to zero non-compliant contracts based on adequate information provided by the District's Accounts Payable group regarding the 11 contracts. However, six of the 66 contracts were found to have work completed past the Agreement expiration date and one additional contract was found to be potentially non-compliant based on greater than 100% task completions. Three of the first six contracts are found to be non-compliant based on available information, while the other three would require further review for a final compliance score. Overall, these findings most clearly reveal difficulties in obtaining current and accurate documentation for consultant contracts. Additionally, many contracts had invoices approved and paid after the Agreement expiration date. These contracts are found to be compliant based on valid work periods within the contract period, but are in disagreement with best practices.

Navigant also noted inconsistencies and missing noncritical information in CAS and on invoices during the review. These findings are relevant to recommendations for the improvement of District processes, despite not impacting the compliance findings, and are presented at the end of the section.

3.2.1 Summary of the 15 Pre-Identified Contracts

Of the 15 pre-identified consultant contracts, seven contracts were missing from CAS online and hence were deemed non-compliant based on missing insurance documentation. However, these contracts did have hardcopy accounting files and Accounts Payable information from PeopleSoft, enabling a partial compliance review.

Table 5. List of Contracts Not Found on CAS

	Agreement Number	Agreement Name
1	A2218A	Planning Study, value engineering, and geotechnical and hazardous material investigations for Matadero & Barron Creeks remediation project (Palo Alto)
2	A3109A	Contract for Operation and Maintenance of the Coyote and Pacheco Substations
3	A3462RE	On Call Real Estate Services Appraisal Agreement MAI
4	A3464RE	Real Estate Turnkey Services
5	A3467RE	On Call Real Estate Services Appraisal Agreement MAI
6	A3469RE	On Call Real Estate Services Appraisal Agreement MAI
7	A3471RE	On Call Real Estate Services Appraisal Agreement MAI

The remaining eight contracts were successfully found on CAS; however, seven of these had incomplete insurance information. The insurance issues for the 15 pre-identified contracts are summarized below (one contract had multiple issues). Detailed insurance findings are listed in Appendix D.1.

Table 6. Types of Insurance Issues Identified for the 15 Pre-Identified Contracts

Insurance Issue	Number of Contracts
No documents found on CAS	7
Insurance expires before end of project	2
Insurance starts after date of Notice to Proceed	4
Missing insurance documents	2

Aside from insurance issues, three of the 15 contracts had problematic payment activity. These contracts are summarized in Table 7, below.

Table 7. Non-Compliance Issues in the 15 Pre-Identified Contracts

	Agreement Number	Agreement Name	Issue	Additional Comments
1	A2403A	Engineering Planning Services on Berryessa Creek Downstream of Calaveras Blvd.	Last invoice dated 12/23/2013; Agreement expired on 12/31/2009	The District is aware of this issue, which led to the Audit.
2	A3159A	PWTP Standby Power System Project	Last invoice dated 3/5/2011; Agreement expired on 3/31/2010 – **Requires Further Review**	The contract has a Letter of Authorization (No. 3) dated 3/29/2010, authorizing extended work, but did not specify a new expiration date.
3	A3467RE	On Call Real Estate Services Appraisal Agreement MAI	Last invoice dated 6/27/2014; Agreement expired on 3/31/2014 – **Requires Further Review**	The Agreement specifies a 24 month term with the option to extend 12 months, but the Agreement does not specify task dates and is "On-Call."

Agreement A2925F was originally considered to have work completed after the expiration date based on the expiration date listed in CAS; however, the text of the Agreement was found to contain "The Agreement will be complete when all deliverables have been received and approved and the Scope of Service tasks have been verified by the District's Project Manager." Hence, it is compliant but serves as an example of disagreement between different information systems at the District. The District reports that poorly-defined termination dates and schedules were resolved for post-2012 agreements.

All of the contracts were found to have remained within their total agreement amounts, with no budget-related non-compliance issues. The spreadsheet provided by the District summarizing the 15 contracts had identified seven contracts having a higher final payment amount than the Agreement amount; this was not found to be the case after all amendments were accounted for during Navigant's review.

For the contracts which were initially recorded as having incomplete tax information, the explanations from the Accounts Payable group are summarized in the following table:

Table 8. Accounts Payable Information for the 15 Pre-Identified Contracts

	Agreement Number	Agreement Name	Tax Resolution
1	A2218A	Planning Study, value engineering, and geotechnical and hazardous material investigations for Matadero & Barron Creeks remediation project (Palo Alto)	Tax ID information was captured in PeopleSoft.
2	A2403A	Engineering Planning Services on Berryessa Creek Downstream of Calaveras Blvd.	Tax ID information was captured in PeopleSoft.
3	A2925F	The SCVWD Wants to Become a CAL/OSHA VPP Star Site	Per W-9 form Part II Certification, 4 Other Payments, the W-9 signature is not required for non-employee compensation (unless taxpayer is notified of previously incorrect TIN).[2]
4	A3109A	Contract for Operation and Maintenance of the Coyote and Pacheco Substations	Tax ID information was captured in PeopleSoft.
5	A3228F	State Lobbying Services: 2009	Per W-9 form Part II Certification, 4 Other Payments, the W-9 signature is not required for non-employee compensation (unless taxpayer is notified of previously incorrect TIN).
6	A3462RE	On Call Real Estate Services Appraisal Agreement MAI	Tax ID information was captured in PeopleSoft.
7	A3464RE	Real Estate Turnkey Services	Tax ID information was captured in PeopleSoft.
8	A3467RE	On Call Real Estate Services Appraisal Agreement MAI	Tax ID information was captured in PeopleSoft.
9	A3469RE	On Call Real Estate Services Appraisal Agreement MAI	W-9 form provided.
10	A3471RE	On Call Real Estate Services Appraisal Agreement MAI	Tax ID information was captured in PeopleSoft.

For the contracts that had tax ID information in PeopleSoft but were missing a copy of the actual W-9 form, the issue was reported to be that these contracts have unknown set-up dates and cannot be feasibly retrieved from the archive. Overall, tax information appears to be compliant but supporting documentation is not always accessible.

[2] www.irs.gov/pub/irs-pdf/fw9.pdf

3.2.2 Summary of the 51 Contract Sample

The sample was reduced to 51 consultant contracts after one contract was found to be a non-consultant agreement and excluded, after confirming the agreement type with the District project manager (a special joint use agreement for local trails). 47 of the remaining 51 contracts were found to have non-compliant insurance information based on available documents in CAS. The insurance non-compliance issues range from expired insurance for the last 10 days of work to contract files lacking general liability insurance and other insurance certificates altogether (based on the available, viewable certificates in CAS). Some contracts have more than one of these issues. This finding is summarized below, with further details in Appendix D.2.

Table 9. Types of Insurance Issues Identified for the 51 Contract Sample

Insurance Issue	Number of Contracts
Insurance expires before end of project	30
Insurance starts after date of Notice to Proceed	9
Missing insurance documents	12

Navigant requested up-to-date insurance information from project managers for these contracts. The District was diligent in requesting and finding a number of the insurance files. It is notable, however, that even though ten additional project managers could produce complete insurance documentation upon request, the District has no comprehensive, up-to-date and accessible source of this important information. This observation was validated by the District's Risk Manager, who identified the need for an insurance management system and has advocated for the District to work with a third party insurance handling company.

Further, the CAS system has been reported to have a system error that prevents users from accessing multiple insurance documents for closed contracts. This glitch allows the user to view only the most recently added file, and no others. Additionally, CAS is reported to be set to a 5 Megabyte file size limit that may exclude other insurance files or pages that exceed the limit. All of the contracts that were initially found to have inadequate insurance in CAS are still deemed non-compliant but it is also noted in 0which issues the project managers encountered after being called on to produce insurance documents.

Four of the random contracts sample had non-compliance findings relating to invoicing or payments, although two require further review. These contracts are summarized in Table 10, below.

Table 10. Non-Compliance Issues in the 51 Contract Sample

	Agreement Number	Agreement Name	Issue(s)	Additional Comments
1	A3308A	Geotechnical Engineering Services for Seismic Stability Evaluation of Almaden, Calero and Guadalupe Dams, and Dam Safety Program Update	Final work period dated 2/8/2013; Agreement expired on 12/31/2012	During the draft report review, the District provided feedback that the work period date is a typo.
2	A3429F	2010 Legal Recruitment Services	Final work period dated 8/3/2012; Agreement expired on 7/31/2011	None
3	A3566A	Clean Safe Creeks and Natural Flood Protection Program Performance Audit	Last invoice dated 7/5/2012; Agreement expired on 6/30/2012 – **Requires Further Review**	The invoice is submitted so close to the expiration date that the work must reasonably have been completed on time, but there is no clear work period to refer to.
4	A3678F	Agreement between the Santa Clara Valley Water District and Environmental Science Associates	Last invoice reports tasks up to 693.9% complete – **Requires Further Review**	Refer to the project manager for 100%+ task percentage justification.

In addition to the specific issues outlined above, Navigant's experience with contracting processes of power and water utilities show that it is best practice to ensure all invoices are approved and paid before contract expiration. In the event an invoice cannot be paid or approved before contract expiration, the contract should be extended. Many contracts in the sample had tasks extending to the expiration date, necessitating the approval of invoices past the expiration date.

One additional contract had been initially recorded as having incomplete tax documentation (A3603A), but Accounts Payable offered the explanation that per W-9 form Part II Certification, the W-9 signature is not required for non-employee compensation (unless the taxpayer is notified of a previously incorrect TIN).

3.2.3 Other Comments

While completing the audit fieldwork for contract compliance, Navigant also noted smaller issues that became apparent during the review process. The following comments were made for multiple contracts while completing the audit fieldwork checklist:

- Agreement start date not specified in CAS
- Agreement end date not specified in CAS, or date is incorrect
- Delayed close-out in CAS
- Incorrect Agreement value in CAS
- Fully executed Standard Agreement not uploaded to CAS
- Amendments not recorded in CAS

- Standard Agreement not dated at execution
- Standard Agreement does not clearly specify expiration date
- Fully executed Standard Agreement not included with accounting files
- Invoices do not specify consultant tasks and activities
- Agreement Status Change Request form for close-out not included, or not signed by Accounting

Many of these smaller errors were corrected by the Contracts group for agreements executed post-2012, but are reflected in earlier agreements in the sample.

3.3 Overview of Findings

As noted previously, only five of the 66 contracts reviewed can be deemed compliant with the District's post-award contracting procedures and business processes. The compliance metric that led the Navigant team to deem most of the contracts non-compliant was the absence of complete and valid insurance certificates in CAS. Navigant acknowledges that a number of these certificates were found elsewhere by District staff upon request, but there is no complete repository in CAS.

This particular compliance issue has highlighted the key challenges the District will have to address in order to move towards best practice in contract management: develop and implement robust governance and standardization policies and processes while fully utilizing the capabilities of the District's contract management solutions in a centralized manner. These challenges are discussed in detail in the next section.

4. "Blueprint" Assessment

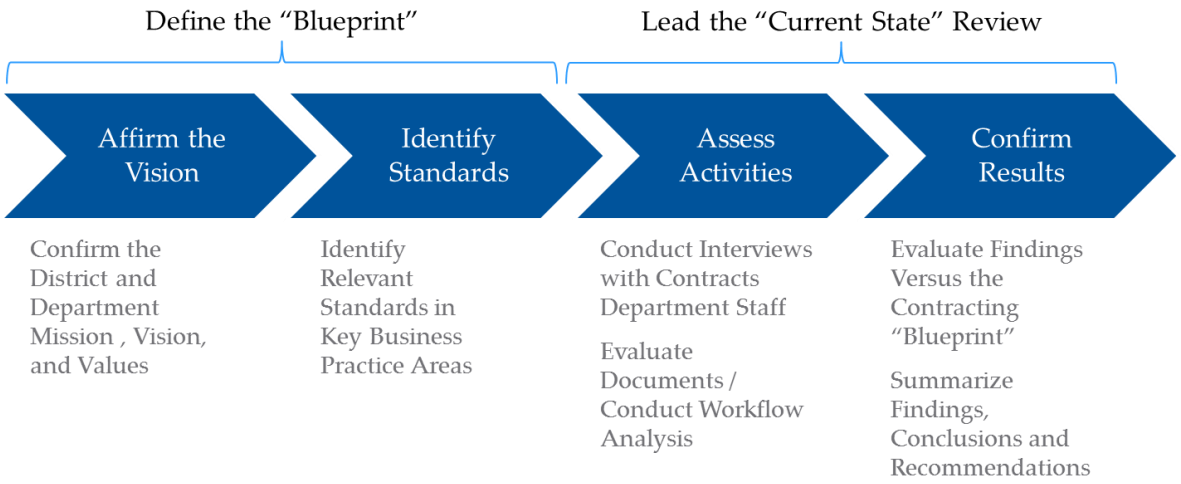
A primary objective of any process audit or assessment is to evaluate the current, "as-is" state of operations in order to identify specific actions that will deliver operational and organizational improvement. The standard of excellence (or "blueprint") to which an organization is compared is therefore an important aspect of any audit or assessment.

The following section outlines Navigant's approach to developing a blueprint for excellence in post-award consulting services contract management; provides a detailed account of the proposed blueprint focus areas; and describes the most important "gaps" in current operations in relation to the blueprint.

4.1 Scope and Approach

Navigant adopted the following high-level approach to complete the "current state" blueprint assessment, which focused on two main activities:

Figure 3. High-Level Approach to Leading the "Current State" Review



- » Define the "Blueprint": Confirming the Vision and Mission of the District in general, as well as in relation to contracting and procurement; identifying the standards in contract management to which the District would be compared.
- » Lead the "Current State" Review: Evaluating current contract management activities in a number of key areas, through document collection, interviews, and process evaluations; comparing current state activities to the blueprint.

The remainder of this section describes the steps taken to complete the blueprint assessment.

4.1.1 Affirm the Vision

We believe that understanding an organization's overall Vision and Mission in contract management is a key input to any audit or assessment. These objectives (and the plans designed to achieve them) form the foundation of any evaluation. We confirmed the District's highest level objectives and values through interviews with senior leadership and a comprehensive documentation review. Primary documents and sources of information included the District Annual Report and content from the District's website ("Doing Business with the District" and "Doing Business with the District,

Consultant Contracts." (See Section 2 for a description of the District's procurement and consultant contracting objectives.)

4.1.2 Identify Standards

The team has drawn from its contract and procurement management experience, knowledge of best practice standards in contracting and related disciplines[3], and understanding of relevant peer practices to develop relevant performance standards. Rather than specific tasks or detailed processes, these standards are high-level themes or characteristics we expect to be reflected in leading procurement or contract management groups. The following performance standards were selected by the Navigant team to form the foundation of the blueprint:

"…Collaborate closely with other functional groups in the Company to provide reliable guidance and enable the soundest decisions on contract matters…"

"…Are properly staffed with contract professionals who consistently enhance their skills and capabilities, and utilize innovative tools and techniques to properly manage contract activities…"

"…Are responsible for the actions and decisions they take in relation to contracting and for the resulting outcomes. Contract Management staff are answerable for such activities through established lines of accountability…"

"…Work diligently to ensure compliance with all relevant Acts, Regulations, Standards and Codes…"

"…Consider both cost and non-cost factors when considering "best value" in contract decision-making…"

"…Treat all prospective suppliers/vendors with fairness and in an open and transparent manner with the same access to information about the contract…"

"…Recognize that all contract activities carry some level of risk, and properly recognize this risk and develop appropriate strategies to deal with it…"

"…Observe the highest standards of honesty in all commercial dealings, and conduct their business in a fair, honest and open manner, demonstrating the highest levels of integrity consistent with Company, customer, and stakeholder interest..."

"…Utilize data and metrics to evaluate contract activities and performance…"

Specific attention was given to post-award practices, protocols, and behaviors when developing the blueprint, although many of the standards developed can be applied to the full spectrum of contracting activities.

4.1.2.1 Blueprint Description

An effective and efficient post-award consultant contract management function requires attention and focus in a number of interdependent areas. Our analysis focuses on the District's current state in six areas:

- Policies
- Business Processes

[3] Publicly available sources include: Resolutions and other documents from the National Institute of for Government Procurement (NIGP); Institute of Civil Engineers, "A Model to Manage the Water Industry Supply Chain Effectively," 2012; Global Cleantech Center, "The U.S. Water Sector on the Verge of Transformation," 2013; papers from Supply Chain Quarterly (various); papers from the Chartered Institute of Purchasing & Supply (various); Best Practice Procurement Guidelines from public agencies (various).

- People
- Systems & Data
- Contract Management
- Reporting

A detailed description of these six areas is provided in Appendix E, *Blueprint Components*. In general, our blueprint identifies approximately 50 characteristics and recommended practices in post-award contract management.

A variety of practices, standards, and frameworks provided input for each of these areas, including:

- A number of oversight and guidance documents and best practice standards in contract management, derived from organizations such as the National Institute of Governmental Purchasing (NIGP).
- Common business practice frameworks in process improvement, system and data management, Lean for Service organizations, and governance and internal control.
- Peer practices from municipal water and other utility companies.

Finally, the six focus areas were tailored to the District-specific vision statements, goals and objectives related to consultant contract management.

4.1.3 Assess Activities

Navigant collected a variety of documents and conducted multiple interviews to understand the current consultant contract management activities and "infrastructure." This analysis included a high-level workflow review to understand the key handoffs between functional groups in the organization, accountabilities and areas of responsibility, and other facets of organizational capability and effectiveness.

4.1.4 Confirm Results

Once collected and reviewed, Navigant compared information concerning the current state to the specific blueprint standards in each of the six focus areas described above. This comparison resulted in a specific set of recommendations, focused on the most important aspects of post-award consultant contract management.

4.2 Blueprint and Current State Review

This section focuses on the evaluation of the District's current operations versus the blueprint, and provides a clear and concise view of areas of potential improvement and associated key recommendations. It is organized following the six areas of focus constituting the blueprint. For each area of focus, the key findings, their impact on the District's operations, and proposed improvement recommendations are presented in detail.

Although the focus of this audit is post-award activities and processes, this section makes note of potential areas of improvement prior to execution. Also included are the strengths noted in the consultant contract management process (policies, procedures or protocols) or notable best practices in place or utilized by the District.

4.2.1 Policies

Policies are primarily developed and implemented in order to provide business rules and guidelines that ensure consistency and compliance with the District's goals and objectives. Policies define

boundaries for the behavior of individuals, business processes, relationships, and systems. Signature authority limits are examples of key business rules that should be included in contracting policies, and the implementation of such rules should be supported by business processes that are consistent with the policies.

4.2.1.1 Key Finding

The District has a variety of documents that collectively establish the policy framework for contracting, including the "Guiding Principles of Public Procurement," the "Guide to Doing Business with the District," Document No. Q-741-005 "Procurement of Consulting Services," and AD.6.3 "Approval Authority for Consultant Services Contracts." In combination, these documents (among many others) provide guidance in a variety of control and governance-related areas. However, the District does not have a "single source" overarching policy document that establishes the Mission, clear directive guidance, and expectations concerning contracting (including consultant contracting). Such a broad business policy would typically include: a statement affirming management's commitment to the highest standards of procurement and contracting excellence; an overall governance structure for procurement and contracting; the functional roles accountable for contract management; a code of ethics (for District staff as well as suppliers and vendors); and a "Certificate of Acknowledgement" (among other policy chapters). This kind of high-level policy which consolidates information into one governance framework (and which other policies reference) is commonplace.

Area of Improvement No. 1: The District appears to have a variety of documents that govern contract management activities, but lacks a single, overarching policy that pulls information into a single source and clearly defines the mission, structure, and accountability for contract management.
Impact on SCVWD: The absence of a clear articulation of the District's governance structure and functional responsibility over contract management, signed and authorized by select staff is an important aspect of good corporate governance.
Recommendations: » Write a consolidated business policy concerning contracting management (including consultant contracting), which establishes the governance framework and functional accountability for contract management at the District. Include in this document a "Certificate of Acknowledgement" that staff must sign annually (or more frequently, as required).

4.2.2 Business Processes

Business Process Management (or BPM) refers to a set of activities which organizations can perform to either optimize their business processes or adapt them to new organizational needs. A strong BPM framework is established to first document common activities and expected practices, after which these documented processes are amended to reflect changes in the business and optimized to achieve improvements in organizational effectiveness.

4.2.2.1 Key Finding

The District has established a variety of business process documents (or work instructions) to establish common work activities in various areas, including "Initiation of Consultant Agreements Work Instruction" or "Evaluation of Proposals Work Instruction." External documents are referenced for each of these processes, and include standards from various organizations (including ISO quality management system standards, contracting standards for public agencies, and other references).

However, the business process documents do not direct standardized tasks and activities for key aspects of the contract management process (including specifically the "Consultant Agreement Administration Work Instruction"). Specifically, our review has concluded that each project manager has significant autonomy in how he/she administers key aspects of the post-award contract. This autonomy has significant "downstream" effects on document management and other aspects of project review (which our team encountered on this project).

Area of Improvement No. 2: There are not standard directed processes for key aspects of the post-award contract management function.
Impact on SCVWD: This autonomy results in a variety of non-standard activities in a post-award environment, including document retention, document "governance" and controls, and contract close-out.
Recommendations: » Establish common "ways of working" through directive desk manual business processes for contract management activities; create oversight structures and "checks" for contract management activities.

4.2.3 People

The success of the District's contract management function is contingent on staff having clearly defined contracting roles and responsibilities matched with relevant skills, qualifications and competencies and the appropriate capacity. All aspects of "Human Capital" (staffing levels, training, succession, career progression) are all critical when considering this focus area.

4.2.3.1 Key Findings

While roles and responsibilities appear to be understood, and staff competencies and commitment do not appear to be a concern, the vast majority of interviewees stated that the group is understaffed. This observation is directly related to the significant role that project managers have in post-award contract management – roles that are commonly filled by contract management staff in peer organizations and conducted in a consistent manner.

Area of Improvement No. 3: The Contracts Group appears to be understaffed, relative to the types of roles and activities that could be provided by this group.
Impact on SCVWD: Certain key contract management, compliance, and maintenance functions are handled in a non-standardized fashion by project managers, resulting in inconsistency across the organization. Further, little to no oversight is currently provided over these activities.
Recommendations: Alternative organizational structures can be considered for the Contracts Group: » Create a centralized contract management function, focused on on-going contract administration. » Create analyst positions within specific units to support PMs with contracting activities. Centralization has multiple advantages over the creation of analyst positions, including principally: » Increased standardization and consistency. » Focused governance. » Greater efficiency and reduced cost.

To this end, Navigant recommends the centralization of the contract management function. Staffing levels for a centralized Contracts Group would be determined through a comprehensive workflow and workload analysis, considering contract management activity levels, the impact of improved and enhanced use of technology, and re-engineered business processes. (This type of staffing analysis would also be appropriate for areas that impact the end-to-end consultant contract process, including specifically accounting.) Further, specific technical competencies for contract staff would be clearly defined, reflecting the specific characteristics of supply chain and procurement professionals. To be successful, the transition of contracting activities from PMs to the centralized contracting group would have to be implemented according to a well-managed multi step approach.

Another key finding is the need to develop a program to ensure sustained professional excellence in post-award contracting practices, including providing relevant training and education on an ongoing basis and collaborating closely with other functional groups.

Currently, there is significant room for improvement for the District on many aspects of this requirement. First, there is a lack of awareness from PMs and contract professionals on what excellence in post-award contract management really means. This is primarily due to inappropriate or a lack of training. Some PMs have indicated having received only limited training on the existing post-award contracting policies and processes. The overall feeling is that pre-award training may be adequate but that project managers are on their own for post-award contracting activities. Second, knowledge transfer is seen as either insufficient or nonexistent, which makes it even more challenging for junior resources to achieve excellence.

Area of Improvement No. 4: The District does not provide the necessary tools or support to enable its staff to achieve excellence in post-award contracting activities.
Impact on SCVWD: This may cause ineffective and inefficient post-award contract management which, in the worst scenario, can ultimately lead to contract non-compliance.
Recommendations: » Post-award policy and processes socialization plans should be developed and implemented. In addition, training on post-award contracting best practices should be delivered to accountable staff. » A knowledge transfer plan should be developed, providing incentives for future retirees or leavers to ensure successful project transition.

4.2.4 Systems and Data

The maturity of an organization's technology infrastructure and associated business processes is a key aspect of effective on-going contract management. Carefully selected and implemented systems and databases are requirements for any organization to succeed. For its contracting activity, the District uses two systems:

- CAS: an eProcurement system primarily used for pre-award contracting activities.
- PeopleSoft: the District's Enterprise Resource Planning (ERP) used for accounting, invoicing and reporting purposes.

In addition to utilizing systems to their fullest potential, an important consideration in this focus area is the control infrastructure around the systems and use and manipulation of data.

4.2.4.1 Key Finding

While these systems do not have major flaws or incompatibility issues with the District's business requirements, there is a significant lack of integration between the two systems. Consequently, there is no single "source of truth," since staff have to manage multiple databases which are dispersed across multiple departments and teams.

Area of Improvement No. 5: There are no clear sources of information/documentation for key aspects of contract management.
Impact on SCVWD: It is challenging for the District to track and generate data and key information quickly and accurately. In addition, conflicting information and data may exist in the two systems.
Recommendations: » SCVWD's systems should all be integrated. In parallel, robust systems and data governance policy and processes should be developed and implemented.[4]

In addition, the functionality of CAS is not optimized to prevent contract non-compliance. For instance, CAS is not currently utilized to monitor insurance certificate expiration (however, the ability to use the system for this purpose exists). A significant number of features could be developed for this system in order to automate contract compliance checking activities.

Area of Improvement No. 6: CAS is not optimized to prevent contract non-compliance.
Impact on SCVWD: Multiple contract non-compliance situations could be prevented with automated compliance checks.
Recommendations: » New functionalities should be built into CAS, such as: o Link the CAS entry for contract agreement end date to the District's ERP solution in order to automatically prevent the payment of invoices post contract expiration. o Create a new entry for insurance certificate end date. Project Managers should be automatically alerted by e-mail 6 months, 3 months, 1 month and then every week before insurance certificate expiration and be automatically prevented from authorizing work after insurance certificate expiration. o Prevent the upload of incomplete documents. o Provide a dashboard presenting invoices approved to date (including invoices for amendments) against original budget (including amendments if applicable) and remaining budget balance. Any inconsistencies should be automatically flagged. o Provide the user the ability to determine whether or not the contract requires insurance.

4.2.5 Contract Management

An effective and efficient contract management function requires business processes that specify the end-to-end post-award contracting business processes and drive business process ownership and accountability, as well as a functional structure that clearly establishes roles and responsibilities for contract management.

[4] The District has shared with Navigant that it is in the process of assessing the integration of a new eProcurement system with their ERP system. The new eProcurement system would replace CAS.

4.2.5.1 Key Finding

This audit has demonstrated that some critical aspects of post-award contract management, including the continuous monitoring of contract compliance, and the maintenance and archiving of contract documentation are not defined by business processes and clear governance guidelines.

For example, there seems to be a PM perception that as long as payments are approved there is no need to verify the status of the contract. On the accounting side, the perception seems to be that as long as the PM approves the invoice, there should not be any compliance issues. In addition and as stated previously, there is no group charged with on-going contract compliance; the Contracts Group is understaffed and does not have the resources to ensure on-going contract compliance monitoring.

The absence of tools and standard methodologies for on-going management and assessment is also a concern. It is unclear to what extent PMs are diligent in their efforts to actively oversee this aspect of the contract management activity. Furthermore, CAS is not actively used as a document repository or management "system of record." Therefore, each PM takes a distinct approach to how this key activity is managed.

Area of Improvement No. 7: There is no standard process for how critical aspects of post-award contract management are managed.
Impact on SCVWD: Critical contract management activities are not completed.
Recommendations: » The District should develop specific contract compliance processes, which should include clear governance guidelines.

Another key contract management activity is the tracking, monitoring and analysis of all information required to manage, control and measure supplier/vendor performance over the life of the contract. This activity is currently not performed at the District. In addition, there are no consultant performance evaluation scorecards available to the PMs and no database where a consultant's past performance can be tracked.

Area of Improvement No. 8: Consultant performance evaluation is currently not implemented at the District, and there are no systems in place to support its implementation.
Impact on SCVWD: This significantly increases the risks of sub-par consultant performance.
Recommendations: » Develop and implement a policy and business processes defining the evaluation of consultant performance. » Develop and implement the necessary tools to support the assessment of consultant performance, including performance evaluation scorecards and a database of consultant past performance evaluations. » In the event of sub-par performance, the tools should inform the development of root cause analyzes and corrective action plans

4.2.6 Reporting

Reporting and performance management are standard and important practices in contract management operations. Contract management organizations routinely design and produce standard reports to assess current performance and performance trends versus various targets, established as an aspect of a comprehensive performance management program. Further, organizations typically have the capability of producing ad hoc reports to address specific management questions and concerns.

4.2.6.1 Key Finding

On-going reporting is an aspect of an organization's performance management program, which is defined by Key Performance Indicators (KPI), metrics, and "dashboard" reports to facilitate decision-making. Targets for contract management organizations typically focus on operational and financial optimization, and include measures that assess contracting cycle time, compliance with regulatory and other procurement standards, procurement cost reduction trends over-time, and vendor/supplier satisfaction (among others). These metrics are linked to corporate and department objectives, and are an aspect of both department as well as individual performance evaluations.

We understand that quarterly performance reports concerning contract management are generated and represented on the District's intranet page, and that additional information concerning contract management practices is provided to the Board of Directors. However, we do not believe information is collected from CAS or any other system of record to proactively evaluate contract management performance or to facilitate decision-making around contracting operations on a routine basis. This would include reports generated around key controls, such as pending insurance lapses, payment on invoices after contract expiration, among others. The production of standard and ad hoc reports requires a strong technology platform and data management framework. As in other areas of the review, our findings suggest that CAS and other system and data functionality could be enhanced to serve a central role in an overall performance management and reporting program.

Area of Improvement No. 9: Contract management does not have a performance management and reporting program.
Impact on SCVWD: In the absence of performance measures and routine reporting focused on optimizing contracting practices, the District cannot easily and accurately determine if procurement-related goals and objectives are being met.
Recommendations: » Design a limited performance management program for contract management. » Improve CAS or other technology platform(s) to capture the information linked to the performance management program and key metrics. » Design standard reports to enable enhanced decision-making around contract management operations.

4.3 Additional Findings

4.3.1 Areas of Strength

Transparency of Contract Management Documentation: The District provides a significant amount of information on its website regarding all aspects of procurement. This information is well-organized, and offers a tremendous amount of transparency into guiding principles of procurement at the District, as well as specific contracting requirements by-category (including consultant contracts). The information is comprehensive, and is an example of leading practice.

4.3.2 Pre-Award Processes

Navigant identified two principal findings and potential areas of improvement in pre-award processes.

4.3.2.1 Key Findings

One of the key attributes of well-designed contracting business processes is to guide and enable the organization to effectively and efficiently complete the day-to-day execution of contracting activities. An important aspect of this attribute is the efficiency that should accompany the execution process, leading to the rapid completion of contracting activities.

Interviews with the District's senior leadership and project managers (PM), as well as Navigant's review of existing policies and business processes have revealed lengthy cycle times for contract creation and approval when compared to best practices and the District's peers. PMs have reported that it can take as long as six (6) months to hire a consultant for contracts valued less than $100,000. For contracts of a larger value, the process may take up to nine (9) months. Our experience suggests that, depending on the relatively complexity and/or size, finalizing a contract typically takes anywhere from one (1) to three (3) months. This creates many challenges for the District including project completion delays and frustration from some consultants who are accustomed to more rapid contracting processes. This audit shows that this exceptionally long contracting cycle is due to the compounded effect of:

- Continuous editing and amending of the "boiler plate" Standard Consultant Agreement. Throughout the duration of the contract creation and approval process, the Legal Department appears to be constantly reviewing and editing the Standard Consultant Agreement, resulting in a significant number of draft versions being exchanged with the PMs, ultimately leading to significant delays.
- Approvals (sign-offs) are required from the same individuals multiple times throughout the contract approval process. Interviews have revealed that during the same contract approval process, the same individual has to provide his/her approval 4 to 5 times.

Area of Improvement No. 1: The cycle time associated with contract creation and approval is exceptionally long when compared to best practice and SCVWD's peers.
Impact on SCVWD: This may delay the project completion date and create some frustration among PMs, other key staff and consultants.
Recommendations: » Improve and maintain a "boiler plate" Standard Agreement. Only the scope of services and project schedule sections should be drafted by Project Managers. All other sections should be owned by the Legal Department. » The existing control procedures for contract approval should be reviewed and redesigned.

Contract management best practice also specifically includes the on-going assessment of the project completion and deliverables against the original scope of work (SOW). The responsibility for developing the SOW resides with the PMs. In some instances, SOW are not developed to the highest standards which may result in numerous, unwanted contract amendments as it becomes challenging to assess the work completed against the original scope.

Area of Improvement No. 2: In some instances, scope of work and scope of services are not developed to the highest standards.
Impact on SCVWD: Contract management, and in particular the assessment for amendments become challenging.

Recommendation:

» The District should develop guidelines against which SOW and Scope of Services should be developed and metrics against which they should be evaluated. While Project Managers should be responsible for the development of SOW and Scope of Services, the Unit Managers should be responsible for their evaluation.

4.4 Overview of Findings

Navigant has assessed the District's current, "as-is" state of operations against the following 6 elements of the Blueprint for excellence in post-award consulting services contracting: Policies, Business Processes, People, Systems and Data, Contract Management, and Reporting.

This gap assessment has confirmed that the District's consultant contract post-award management processes are deficient, and undermined by unclear accountabilities and underutilized technology applications. While significant attention needs to be made in all six Blueprint areas, the highest priority items include the development of a consolidated business policy that clearly establishes governance and accountability over procurement and contracting activities, accompanied by detailed process flows that define the work activities tasks in the District's end-to-end contract management process.

5. Conclusions and Recommendations

The District currently conducts post-award consultant contract management activities in a decentralized manner, defined by non-standard business processes, unclear accountabilities, and underutilization of the primary contract management software. We believe that these are the primary factors that led to the non-compliance events that occurred in 2014. Further, we believe that the environment in which these non-compliance events occurred will not improve without dedicated and focused attention in multiple areas of the organization. Key characteristics of the District's deficient processes include:

- Lack of clarity around the District's governance and functional responsibility over post-award contract activities.
- Inconsistent and non-standard post-award tasks and activities.
- The inability to track and generate data and key contract information quickly and accurately.
- Failure to conduct critical contract management activities, such as continuous monitoring of contract compliance or consultant performance evaluation.

Although the focus of this audit was on the post-award contract management process, Navigant also identified deficiencies with the pre-award processes:

- The cycle time associated with contract creation and approval is exceptionally long when compared to best practice and SCVWD's peers.
- In some instances, scope of work and scope of services are not developed to the highest standards.

Significant opportunities exist to improve and streamline the entire post-award contract management activity and support the District's transition towards best practice:

- Develop a consolidated contract management business policy document, which clearly establishes functional accountabilities and governance arrangements.
- Establish common "ways of working" through directive desk manual business processes for contract management activities.
- Establish training, continuous improvement, and performance management programs over contract management.
- Consider alternative organizational structures for the Contracts Group, including centralization or the creation of analyst positions within specific units to support the PMs. Navigant recommends the centralization of the contracting function.
- Integrate all SCVWD's systems. In parallel, robust systems and data governance policy and processes should be developed and implemented.

Furthermore, the pre-award contracting processes could be greatly improved with:

- Improvements to the "boiler plate" Standard Agreement so that fewer revisions are made during contract development.
- The development of guidelines against which SOW and Scope of Services should be drafted and metrics against which they should be evaluated.
- The streamlining of the existing control procedures for contract approval.

Appendix A. List of Interviews

Date	Time	Interviewee	Interviewee Department and Title	Location
11/13/2014	9:00-10:00 AM	Anita Ong	Financial Planning and Management Services, Financial Services Unit Manager	Headquarters: Room A-345
11/13/2014	9:00-10:00 AM	Guy Canha	Financial Planning and Management Services, General Accounting	Headquarters: Room A-345
11/13/2014	9:00-10:00 AM	Lillian Ramirez	Financial Planning and Management Services, General Accounting	Headquarters: Room A-345
11/13/2014	11:00-11:30 AM	Jim Fiedler	Water Utility, Chief Operating Officer	Headquarters: Room A-136
11/13/2014	1:30-2:00 PM	Jesus Nava	Administration, Chief Administrative Officer	Headquarters: Room A-168
11/13/2014	2:30-3:00 PM	Beau Goldie	Office of the CEO, Chief Executive Officer	Headquarters: Room A-173
11/13/2014	3:30-4:00 PM	Norma Camacho	Watersheds, Chief Operating Officer	Headquarters: Room A-173
11/13/2014	4:00-5:00 PM	Najon Chu	Administration, Chief Financial Officer	Headquarters: Room A-173
11/18/2014	1:30-3:00 PM	Paul Fulcher	Purchasing, Consultant Contracts and Warehouse Services (CAS System, Contract Files)	Blossom Hill Annex Madrone Room G-121
11/18/2014	3:30-4:00 PM	LeeAnn Pelham	Office of Ethics & Corporate Governance, Director	Headquarters: Room A-345
11/18/2014	4:00-5:00 PM	Ravi Subramanian	Administration, Deputy Administrative Officer	Headquarters: Room A-345
12/11/2014	10:00-10:30 AM	Deanna Forsythe	Project Manager	Conference call
12/11/2014	12:00-1:00 PM	Mike Munson	Project Manager	Conference call
12/11/2014	1:00-2:00 PM	Roger Narsim	Project Manager	Conference call
12/11/2014	2:00-3:00 PM	Tom Spada	Project Manager	Conference call
12/15/2014	10:00-10:30 AM	David Cahen	Risk Manager	Conference call

Appendix B. List of Documents

Reference	Item Description	Date Received
D.R.2.1	Administration Policy AD.6.3 Approval Authority for Consultant Services Contracts	11/5/2014
D.R.2.2	Consultant Agreement Administration Work Instruction W-741-030	11/6/2014
D.R.2.3	Request for Proposals Development W-741-027	11/6/2014
D.R.2.5	Consultant Agreement Preparation, Execution, and Distribution Work Instruction W-741-029	11/6/2014
D.R.2.6	Initiation of Consultant Agreements Work Instruction W-741-026	11/6/2014
D.R.2.7	Procurement of Consulting Services Q-741-005	11/20/2014
D.R.2.8	Evaluation of Proposals Work Instruction W-741-028	11/6/2014
D.R.2.11	Payment for Goods and Services W-610-D16	11/13/2014
D.R.2.12	Use of Alternative Procurement Methods Work Instruction W-741-022	11/6/2014

Appendix C. List of Contracts

C.1 15 Contracts of Interest

Item No.	Agreement No.	Agreement Name	Consultant Name
1	A2218A	Planning Study, value engineering, and geotechnical and hazardous material investigations for Matadero & Barron Creeks remediation project (Palo Alto)	Schaaf & Wheeler Consulting
2	A2403A	Engineering Planning Sevices on Berryessa Creek Downstream of Calaveras Blvd.	Winzler & Kelly
3	A2925F	The SCVWD Wants to Become A CAL/OSHA VPP Star Site	Michael T. Norder
4	A3062F	Initial Alternatives Economic Analysis San Luis Reservoir LPIP	Walter Yep, Inc.
5	A3109A	Contract for Operation and Maintenance of the Coyote and Pacheco Substations	U.S. Department of Energy
6	A3118A	Comprehensive Water Resources Management Plan	Moore Iacofano Goltsman, Inc.
7	A3159A	PWTP Standby Power System Project	Camp Dresser & McKee, Inc.
8	A3225A	Guadalupe River Mitigation Monitoring Agreement	HT Harvey & Associates
9	A3228F	State Lobbying Services: 2009	Governmental Advocates, Inc.
10	A3285A	Authorization of Chief Executive Officer (CEO) to Execute a Sole Source Agreement with the San Francisco Estuary Institute (SFEI) to Conduct Mercury Monitoring in the Guadalupe River	San Francisco Estuary Institute
11	A3462RE	On Call Real Estate Services Appraisal Agreement MAI	Associated Right of Way Services, Inc.
12	A3464RE	Real Estate Turnkey Services	Associated Right of Way Services, Inc.
13	A3467RE	On Call Real Estate Services Appraisal Agreement MAI	Schmidt-Prescott
14	A3469RE	On Call Real Estate Services Appraisal Agreement MAI	Hansen & Co
15	A3471RE	On Call Real Estate Services Appraisal Agreement MAI	Diaz, Diaz, and Boyd

C.2 Random Contract Sample

Item No.	Agreement No.	Agreement Name	Consultant Name
1	A3198F	Risk management Plans	EORM, Inc.
2	A3209F	Labor Management Relationship Recalibration Services	Cathy Stevens dba Stevens Consulting
3	A3211A	Ground Water Vulnerability Study	Todd Engineers
4	A3216F	Executive Recruitment	Alliance Resource Consulting
5	A3268A	Provide biological consultant services to District projects on an "as needed" basis	HT Harvey & Associates
6	A3283F	Water Supply and Infrastructure Master Planning Process Development	GHD, Inc.
7	A3289F	Decommissioning of Water Quality Lab at Rinconada Water Treatment Plant	RGA Environmental
8	A3294A	Engineering Services for Planning and Preliminary Design for the RWTP Residuals Management Project	CH2M Hill, INC.
9	A3308A	Geotechnical Engineering Services for Seismic Stability Evaluation of Almaden, Calero and Guadalupe Dams, and Dam Safety Program Update	URS Corporation Americas
10	A3322A	Design Services Agreement with Ruggeri-Jensen-Azar & Associates (RJA) for Lower Silver Creek Reaches 4-6A between I-680 and Moss Point Drive	Ruggeri-Jensen-Azar & Associates
11	A3326A	Microwave Telecommunications Project and Sole Source Product Designation of Harris Equipment	Harris Stratex Networks
12	A3335F	Assist SCVWD in the Process of Drawing Redistricting Boundaries	National Demographics Corporation
13	A3343F	Review and Validation of FY 11 Cost of Service Rate Making Model and Procedures	Raftelis Financial Consultants
14	A3346F	Structural Engineering Services for the Pacheco Pumping Plant (PPP) Regulating Tank Seismic Project	Beyaz & Patel, Inc.
15	A3375A	Consultant Agreement for Dam Safety Review Project (DSRP) for Anderson, Almaden, Calero, and Guadalupe Dams	Geosyntec Consultants, Inc.
16	A3389F	Standard On-Call Consulting Agreement between SCVWD and Carollo Engineers, Inc. for Recycled Water Technical Advice	Carollo Engineers, Inc.
17	A3395F	Calculate conjunctive use benefit of treated water and agricultural water	Raftelis Financial Consultants
18	A3410F	Design and construction support services on an as needed basis to facilitate current small cap projects.	Hafsa Burt & Associates
19	A3412F	Geohydrological services in support of quantification of the conjuunctive use benefit of treated water and agricultural water users.	HydroMetrics Water Resources, Inc.
20	A3419A	Washington D.C. Representation Services III	Carmen Group, Inc

21	A3421F	Position Specification and Compensation Analysis of District's Unclassified Positions	Management Partners, Inc.
22	A3427F	Wash. D.C. Supplemental Representation Services	Kadesh & Associates
23	A3429F	2010 Legal Recruitment Services	The Hawkins Company
24	A3437F	Public Opinion Research, Analysis and Support for Future Funding	Fairbank, Maslin, Maullin, Metz, and Associates
25	A3479F	Monitoring of the Western Snowy Plover on District facilities in coordination with the monitoring conducted on adjacent properties.	San Francisco Bay Bird Observatory
26	A3486A	Environmental Remediation Action Plan and Design Services - Upper Guadalupe River Flood Protection Project Reach 8	Northgate Environmental Management, INC.
27	A3504F	Conduct a comprehensive assessment of the District's Inclusion Program and recommend improvements to the overall efficiency and effectiveness of the program in meeting the needs of the District.	The Leading Edge
28	A3505F	Improve work efficiency by streamlining District's work management processes and modify current Maximo configurations to facilitate these revised processes for up to six business functions.	Asset Management Engineering, Inc.
29	A3517F	Electromagnetic Inspection of the Penitencia Force Main and Penitencia Delivery Main from the Piedmont Valve Yard to the Penitencia Bypass Structure.	Pure Technologies
30	A3554F	The District will use an executive recruitment firm (Consultant) to assist in outreach, selecting and recruiting candidates for the position of Deputy Administrative Officer, Human Resources.	The Hawkins Company
31	A3562F	Ecological Monitoring & Assessment	San Francisco Estuary Institute
32	A3566A	Clean Safe Creeks and Natural Flood Protection Program Performance Audit	Moss-Adams LLP
33	A3583A	Sunnyvale East/West Channel Flood Protection Project	Horizon Water & Environment
34	A3600F	Executive Pay for Performance Program	The Segal Company
35	A3603A	Recycled Water Independent Advisory Panel	National Water Research Institute
36	A3611A	Financial Advisory Services	Public Resources Advisory Group
37	A3635G	Statistical design and analysis for the Guadalupe River Watershed Stream Condition Assessment	HDR, Inc.
38	A3656G	Maximo Technical Support On-Call Services	Crory Associates, Inc.
39	A3675A	Planning and Environmental Consultant Services for the Calero and Guadalupe Dams Seismic Retrofits Project	GEI Consultants
40	A3677G	Washington D.C. Representation Services - Administrative Agencies and Executive Branch Focus	Manatt, Phelps & Phillips. LLP
41	A3678F	Agreement between the Santa Clara Valley Water District and Environmental Science Associates	Environmental Science Associates

42	A3682F	Watershed Emergency Procedures	AECOM Technical Services, Inc.
43	A3685A	Upper Llagas Creek Flood Protection Project - Real Estate Services	Overland, Pacific & Cutler, Inc.
44	A3686A	Winfield Capital Improvement Project	Group 4 Architecture, Research + Planning, Inc.
45	A3691F	Agreement between the Santa Clara Valley Water District and Brookfair Consulting	Brookfair Consulting
46	A3694A	Infrastructure Reliability Master Plan Project - Planning Services	AECOM
47	A3699A	On-Call Surveying & Mapping Services 2014-2017 between the Santa Clara Valley Water District and Sandis	Sandis
48	A3702F	Succession Development Initiative - Phase II	Frank Benest
49	A3712A	On-Call Geotechnical Engineering Services, Multi-Award #2	Parikh Consultants, Inc.
50	A3722F	Palo Alto Flood Basin Project - Hydrology Study	Schaaf & Wheeler Consulting Civil Engineers, Inc.
51	A3724G	To perform the hydraulic modeling of the south bay and its tributaries required to map the coastal floodplain located within the District's Jurisdiction	DHI Water & Environmental

Appendix D. Description of Insurance Issues

D.1 15 Contracts of Interest – Insurance

Item No.	Agreement No.	Insurance Summary	Project Manager Response
1	A2218A	No documents found on CAS.	No response received.
2	A2403A	Agreement expires on 12/31/2009, insurance starts on 3/1/2010. Insurance expires on 3/1/2011, invoice dated 12/23/2013.	PM reports insurance coverage from 3/1/2010 to 12/1/2015; pre-2010 insurance still unknown.
3	A3062F	Insurance expires on 12/10/2007, 11/4/2007 and 1/31/2007, invoice dated 2/25/2010.	No response received.
4	A3109A	No documents found on CAS.	PM indicated that insurance is not required.
5	A3118A	NTP given on 8/15/2007, while insurance starts on 4/1/2014.	PM reports that insurance should be in Contracts Office.
6	A3159A	NTP given on 1/7/2008, while insurance starts on 1/1/2010.	No response received.
7	A3225A	NTP given on 11/18/2009, while insurance starts on 9/1/2009.	PM reports moving to the project after initiation, other staff members have moved to different units.
8	A3228F	Only Worker's Comp insurance found on CAS.	PM provided valid insurance for 2010-2011 and 2015-2016. PM also provided email correspondence from April 22, 2009 that insurance was faxed; NTP given 11/2008, first 4 months may not have been covered.
9	A3285A	NTP given on 7/6/2009, while insurance starts on 1/31/2010 and 4/1/2010. No worker's comp insurance found on CAS.	PM reports moving to the project after initiation, other staff members have moved to different units.
10	A3462RE	No documents found on CAS.	No response received.
11	A3464RE	No documents found on CAS.	No response received.
12	A3467RE	No documents found on CAS.	No response received.
13	A3469RE	No documents found on CAS.	No response received.
14	A3471RE	No documents found on CAS.	No response received.

D.2 Random Contract Sample – Insurance

Item No.	Agreement No.	Insurance Summary	Project Manager Response
1	A3198F	Insurance expires on 10/1/2008, work period ends on 10/11/2008 according to invoice.	PM reports being unfamiliar with this contract name and number.
2	A3209F	Only automobile insurance found on CAS.	No response received.
3	A3211A	Only professional/pollution liability found on CAS.	PM reports being unable to find additional insurance in project files; consultant mailed certificates to "contract administrator." Possible IT issues with closed contract.
4	A3216F	Only worker's comp found on CAS, NTP given on 9/25/2008 while WC insurance starts on 2/1/2009.	No response received.
5	A3268A	Insurance expires on 9/1/2010, work period ends on 4/30/2011 according to invoice.	PM reports being unable to find insurance in project files; possible IT issues with closed contract.
6	A3283F	Insurance certs expire on 6/11/2010, 2/1/2010, and 12/1/2009, last invoice dated 5/10/2011.	PM reports that project files are now in off-site storage.
7	A3289F	NTP given on 7/8/2009 while insurance starts on 3/1/2010.	No response received.
8	A3294A	Insurance expires on 5/1/2010, invoice dated 7/21/2011.	PM reports being unable to find insurance past the first year of the agreement in central project files; possible IT issues with closed contract.
9	A3308A	Insurance Expires on 5/1/2010 and 1/1/2011, work period ends 2/8/2013 according to invoice.	PM reports contract is closed; possible IT issues with closed contract.
10	A3322A	Insurance expires on 6/19/2013 and 9/1/2013, invoice dated 10/15/2014.	PM provides valid insurance for 6/19/14 to 6/19/15.
11	A3326A	NTP given on 12/8/2009, while insurance starts on 3/31/2013.	No response received.
12	A3335F	Professional Liability insurance expires on 2/7/2010, invoice dated 6/1/2010.	PM confirms the insurance period; Professional Liability still may have inadequate coverage.
13	A3343F	NTP given on 2/4/2010, while insurance starts on 1/21/2011.	No response received.
14	A3346F	NTP given on 2/24/2010 while insurance starts on 1/1/2012.	No response received.
15	A3375A	Insurance expires on 9/1/2010, invoice dated 10/26/2012.	No response received.
16	A3389F	NTP given on 8/4/2010 while insurance starts on 12/31/2013 and 7/4/2013.	No response received.
17	A3410F	Insurance expires on 7/14/2011, work period ends 8/2/2012 according to invoice.	PM reports insurance should be in the Contracts Office. Possible IT issues with closed contract.
18	A3412F	Only worker's comp insurance found on CAS, expires on 1/1/2011, invoice approved 6/3/2011.	No response received.

Item No.	Agreement No.	Insurance Summary	Project Manager Response
19	A3419A	Insurance expires on 9/15/2012, invoice dated 8/21/2013. NTP given on 11/1/2010, insurance starts on 9/15/2011.	PM confirms the insurance period, unable to find additional certificates.
20	A3421F	Insurance expires on 9/28/2011 and 6/20/2011, invoice dated 8/3/2011.	No response received.
21	A3429F	Insurance expires on 6/28/2011, work period ends 8/3/2012 according to invoice.	No response received.
22	A3437F	Insurance expires on 6/24/2011, 5/20/2011 and 12/10/2011, invoice dated 10/7/2011.	No response received.
23	A3479F	Insurance expires on 12/7/2011, invoice dated 12/14/2011 --> check work period?	No response received.
24	A3486A	Insurance expires on 1/22/2012, 12/20/2011 and 1/1/2012, invoice dated 9/12/2013.	No response received.
25	A3505F	Insurance expires on 12/18/2011 and 12/22/2011, invoice dated 12/3/2013.	No response received.
26	A3517F	Insurance expires on 11/1/2011 and 1/23/2012, invoice dated 2/16/2012.	No response received.
27	A3554F	Insurance expires on 6/28/2012, invoice dated 10/31/2012.	PM reports being unable to find insurance in project files; possible IT issues with closed contract.
28	A3562F	Insurance expires on 4/1/2012, invoice dated 7/3/2013.	No response received.
29	A3566A	Only Professional Liability found on CAS.	PM provided valid insurance; Compliant.
30	A3583A	CAS attachment only provides policy number, not certificate and expirations.	PM provided valid insurance; general liability insurance may not be covered for first year 2012-2013.
31	A3600F	Only 1 page of automobile insurance found on CAS, no other insurance found.	No response received.
32	A3603A	Insurance expires on 2/24/2013, invoice dated 7/27/2014.	No response received.
33	A3611A	Insurance expires on 12/9/2013 and 6/12/2013, invoice dated 11/18/2014. NTP given on 10/1/2012, insurance starts 12/9/2012.	PM provided valid insurance for 2014 and 2015; first two months after NTP may not have been covered.
34	A3635G	Insurance expires on 6/1/2014 and 7/1/2014, invoice dated 10/24/2014. NTP given on 4/12/2013, insurance starts on 6/1/2013 and 7/1/2013.	PM provided valid insurance for 2012-2013 and 2014-2015; Compliant.
35	A3656G	NTP given on 7/16/2013, while insurance starts on 5/9/2014.	PM provided valid insurance for 2013; Compliant.
36	A3675A	Insurance expires on 7/1/2014, invoice dated 12/2/2014.	PM provided valid insurance for 2014-2015; Compliant.
37	A3677G	Only worker's comp certificate found on CAS, expires on 4/1/2014.	PM provided valid insurance for 2014-2015; still only worker's compensation coverage.
38	A3678F	Insurance expires on 1/1/2014, invoice dated 12/2/2014.	No response received.

Item No.	Agreement No.	Insurance Summary	Project Manager Response
39	A3685A	Only "Notice of Cancellation to Designated Certificate Holder" uploaded to CAS.	PM provided valid insurance for 2014-2015; but NTP given 11/5/2013 and insurance starts 6/1/2014 - first 6 months may not have been covered.
40	A3686A	Insurance expires on 7/1/2014, 7/18/2014 and 7/22/2014, invoice dated 9/12/2014.	PM provided valid insurance for 2014-2015; Compliant.
41	A3691F	Only "General Liability Additional Insured" form uploaded to CAS.	No response received.
42	A3694A	Insurance expires on 4/1/2014, invoice dated 11/13/2014.	PM provided valid insurance for 2014-2015; Compliant.
43	A3699A	Insurance expires on 3/3/2014, invoice dated 8/12/2014.	No response received.
44	A3702F	Only "Additional Remarks Schedule for Liability Insurance" uploaded to CAS.	PM provided valid insurance through late 2014; is requesting updated automobile & umbrella certificates; Compliant.
45	A3712A	Insurance expires on 9/1/2014, invoice dated 11/13/2014.	PM reports being in the process of updating certificates that expired in late 2014/early 2015; Compliant.
46	A3722F	Insurance expires on 6/1/2014 and 6/6/2014, invoice dated 8/19/2014.	No response received.
47	A3724G	No automobile or worker's comp insurance found on CAS.	PM reports working with the Risk Manager to obtain required documents, is verifying requirements are met as of 1/16/2015; Compliant.

Appendix E. "Blueprint" Components

The following exhibits introduce the main concepts underlying the blueprint for excellence in post-award consultant contracting in each of the six key focus areas.

Policies
Policies should: » Provide business rules and guidelines that ensure consistency and compliance with the company's goals and objectives » Be truly executable; provide clear accountabilities » Define the governance structure for contracting; also define escalation practices and limits of authority » Maintain a clear delineation from supporting business processes while supporting their implementation » Evolve as business practices and business needs evolve » Be socialized, respected as the recognized practices of the organization, and accompanied by acceptance monitoring » Mitigate risks » Be reviewed and amended no less than annually

Business Processes
Business Processes should: » Guide and enable the organization to effectively and efficiently complete the day-to-day execution of post-award contracting activities » Clearly specify the end-to-end post-award contracting business processes » Define the residence of tasks for post-award contracting activities » Standardize all aspect of post-award contracting operations » Drive business process ownership and accountability » Be clearly documented, and be amended by process owners as business needs change » Be socialized, respected as the recognized practices of the organization, and accompanied by acceptance monitoring » Be in compliance with all relevant Acts, Regulations, Standards and Codes » Be reviewed and amended no less than annually

People

Key objectives for the People element include:
» Have clearly defined contracting post-award roles and responsibilities, including:
  ○ Review and approve work of milestone completions
  ○ Manage change orders
  ○ Track, measure, analyze and manage supplier/vendor performance
  ○ Approve, track and review invoices
  ○ Complete audit for compliance
» Match these roles and responsibilities with relevant skills, qualifications and competencies
» Support the development of professional excellence in contracting practices, including providing relevant training and education on an ongoing basis and collaborating closely with other functional groups
» Be supported and recognized as a strategic partner in the District's business objectives
» Provide governance and oversight over the post-award process; raise issues as necessary

Systems and Data
Key objectives for the Systems and Data element include: » Clearly specify SCVWD's business requirements for systems and data » Implement systems that meet SCVWD's business requirements » Implement systems with workflow steps that mirror the post-award contracting process » Seek full integration of post-award contracting systems and data, and possible integration with eProcurement and ERP systems » Comprehensively train system users » Implement control protocols to ensure the systems and data are used according to post-award contracting workflows and business processes » Eliminate system "workarounds" to the extent practicable; focus on data control » Translate data to ensure it becomes useful for decision-making » Establish and maintain governance and accountability over system and data management

Contract Management
Key objectives for the Contract Management element include: » Centralize accountability for Contract Management » Continuously monitor contract compliance » Track, monitor and analyze all information required to manage, control and measure supplier/vendor performance over the life of the contract, including but not limited to: o Pricing o Scope o Amendments o Contract expiration date o Expiration date of non-fiscal documentation, such as insurance certificates » Continuously monitor and reevaluate contract risks » When necessary, complete root cause analysis and implement corrective action planning » Establish and maintain governance and accountability over the contract management function

Reporting
Key objectives for the Reporting element include: » Provide performance, financial and operational metrics and reports that enable the active management of the post-award contracting function » Identify and report on Key Performance Indicators and related metrics reflecting the high-level goals of the post-award contracting function » Report data and metrics using standardized templates » Specify the data needed for reporting purposes » Establish and maintain governance and accountability over the reporting function